

Department of Liquor Control Performance Review

George Griffin, Director
October 25, 2011



CountyStat Principles

- **Require Data Driven Performance**
- **Promote Strategic Governance**
- **Increase Government Transparency**
- **Foster a Culture of Accountability**



Agenda

- Overview of Budget and Workyear History
- Headline Performance Measures
 - Program Area Review



Meeting Goal

- Determine the impact of DLC's programs and activities on headline measures and performance expectations and goals
- Discuss linkages between headline measures and budget programs



Definitions of Expenditures, Revenues

Terminology	Definition
Actual	Actual expenditures for item
Approved	The budget for the item as approved by the County Council.
Estimated	The estimated actual expenditures for the item.
Interfund Transfers (Net Non CIP)	Transfers to the General Fund of County Government
Total Revenues	Revenues from licenses, permits, charges for services, fines & forfeitures, and misc.
Total Use of Resources	Operating budget, debt service budget, and other future fiscal impacts.
Year End Balance	Balance of the Liquor Fund after expenditures, transfers to the general fund. This balance is used to seed the fund for the next fiscal year. (Revenues – Transfers to General Fund - Total Use of Resources)



Expenditures, Revenues, and Workyears from FY09 to FY12

Fiscal Years	FY09 Actual	FY10 Actual	FY11 Estimate	FY12 Approved
Total Revenues	\$62,867,024	\$66,967,168	\$69,139,000	\$70,284,780
Interfund Transfers (Net Non CIP)	\$30,410,060	\$30,175,062	\$31,291,320	\$25,066,800
Total Use of Resources (Includes Operating Budget Expenditures)	\$-38,781,858	\$-37,320,442	\$-43,465,110	\$-46,953,280
Year End Balance (Revenues – Interfund Transfers - Total Use of Resources)	\$8,793,111	\$8,264,775	\$2,647,350	\$912,050

Years	FY09	FY10	FY11	FY12
Workyears	343.8	337.3	312.9	323.0*

* Increase is from furloughed workyears restored.

Figures provided by the Office of Management and Budget as of October 2011



Department of Liquor Control: Current Budget Program Division

Warehouse Operations
FY12 Approved: \$7.8M 65.3 WYs

Delivery Operations
FY12 Approved: \$5.5M 76.7 WYs

Retail Sales Operations
FY12 Approved: \$18M 144 WYs

Retail Contracted Operations
FY12 Approved: \$190K

**Accounting and Financial
Systems**
FY12 Approved: \$8.8M 13.6 WYs

Information Management
FY12 Approved: \$2.2M 7.1 WYs

**Licensure, Regulation, and
Education**
FY12 Approved: \$1.2M 13.0 WYs

Office of the Director
FY12 Approved: \$2.8M 3.2 WYs



Headline Measures

- Annual growth in DLC retail and wholesale sales
- Gross profit margin of DLC retail and wholesale operations
- Inventory as a percent of 'Cost of Goods Sold to Sales' (COGS)
- Inventory as a percent of DLC sales
- Percent of wholesale customers satisfied with DLC
- Percent of retail customers satisfied with DLC
- Rating of licensees satisfied with the application process
- Rating of licensees satisfied with ALERT Training
- Percent of licensees that fail compliance checks (Number of establishments that fail/Number of total compliance checks)
- Number of annual alcohol compliance checks for sales to minors (under 21)



Gross Sales Totals

This slide is to provide a sense of the scope of operations of DLC with its 25 retail locations and wholesale operations.

Fiscal Year	Total Gross Warehouse Sales	Year to Year % Change	Total Gross Retail Sales	Year to Year % Change	Total Gross Sales	Year to Year % Change
FY07	\$111,861,920		\$89,859,669		\$201,721,589	
FY08	\$116,497,216	4.1%	\$95,416,786	6.2%	\$211,914,002	5.1%
FY09	\$118,708,597	1.9%	\$100,041,953	4.8%	\$218,750,580	3.2%
FY10	\$121,087,617	2.0%	\$106,247,721	6.2%	\$227,335,338	3.9%
FY11	\$127,073,615	4.9%	\$115,341,177	8.6%	\$242,414,792	6.6%



Headline Measures #1: Annual growth in DLC retail and wholesale sales

Relevant Budget Program

Office of the Director
FY12 Approved: \$2.8M 3.2 WYs

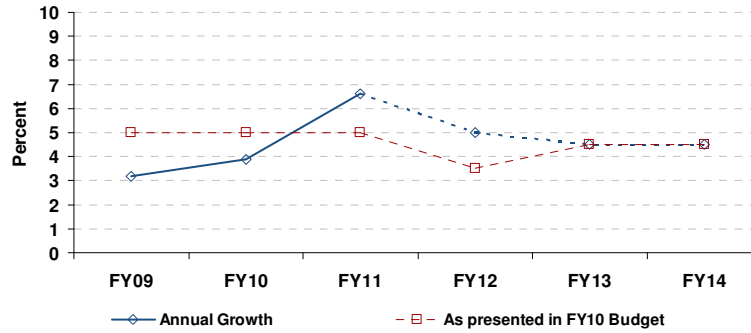
Program Description: This program provides the overall direction for the Department.

Retail Sales Operations
FY12 Approved: \$18M 144 WYs

Program Description: This program oversees sales of distilled spirits, wine, and beer to retail customers through the operation of retail stores (currently 24 County-staffed and operated and one contractor-operated) that are located throughout Montgomery County.



Headline Measure #1:
Annual growth in DLC retail and wholesale sales



Measure	FY09	FY10	FY11	FY12 Est	FY13 Est	FY14 Est
Actual Annual Growth	3.2	3.9	6.6	5.0	4.5	4.5
Estimates of Annual Growth from Budget Book	5	5	5	3.5	4.5	4.5



Headline Measure #1:
Annual growth in DLC retail and wholesale sales

DLC - Annual Sales Growth	FY09	FY10	FY11
Retail	4.8%	6.2%	8.6%
Wholesale	1.9%	2.0%	4.9%



Retail & Wholesale Sales Figures – Annual Growth by Fiscal Year U.S. Census

Estimates of Retail and Food Services Sales by Kind of Business – Annual Growth	FY08	FY09	FY10
Food services and drinking places	4.1%	1.6%	N/A
Beer, wine and liquor stores	4.6%	4.0%	N/A

Estimates of Sales of Merchant Wholesalers – Annual Growth	FY08	FY09	FY10
Beer, Wine, & Distilled Alcoholic Beverages	4.2%	2.9%	N/A

Source: (1) Estimates of Monthly Retail and Food Services Sales by Kind of Business
<http://www.census.gov/retail/mrts/www/benchmark/2010/html/annrev10.html>
 (2) Revised (Adjusted) Estimates of Monthly Sales, Inventories, and Inventories/Sales Ratios of Merchant Wholesalers, Except Manufacturers' Sales Branches and Offices
<http://www.census.gov/wholesale/index.html>



Headline Measure #1: Annual growth in DLC retail and wholesale sales

- **Departmental Explanation for FY11 Performance:**
 - In FY11 sales, customer feedback, and income exceeded expectations, which is encouraging as increases in retail sales drives profit margin.
 - During the past performance period, the department underwent the implementation of a POS system, responsible for 48% of total sales.
- **Departmental Explanation for FY12-FY14 Projections:**
 - Future sales projections are conservative due to the volatility of the current economic environment.



Headline Measures #2: Gross profit margin of DLC retail and wholesale operations

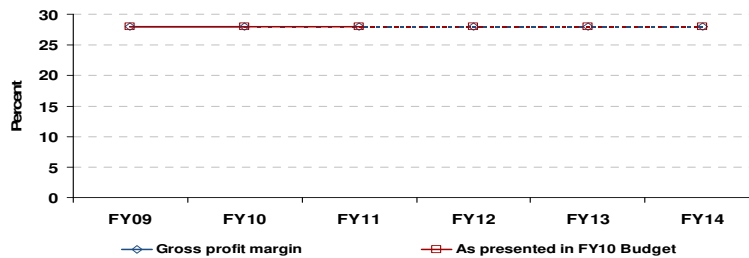
Relevant Budget Program

Office of the Director
FY12 Approved: \$2.8M 3.2 WYs

Program Description: This program provides the overall direction for the Department.



Headline Measure #2: Gross profit margin of DLC retail and wholesale operations



Measure	FY09	FY10	FY11	FY12	FY13	FY14
Gross profit margin	28	28	28	28	28	28
Profit (Sales –COGS)	\$62,294,408	\$64,967,034	\$67,968,403			
Sales	\$218,750,580	\$227,335,338	\$242,414,792			



Headline Measure #2: Gross profit margin of DLC retail and wholesale operations

▪ Departmental Explanation for FY11 Performance:

- In FY11 sales, customer feedback, and income exceeded expectations, which is encouraging as increases in retail sales drives profit margin.
- During the past performance period, the department underwent the implementation of a POS system, responsible for 48% of total sales.

▪ Departmental Explanation for FY12-FY14 Projections:

- The Department does not anticipate any change in its core sales mix, thus maintaining the gross profit margin.



Headline Measures #3: Inventory as a percent of 'Cost of Goods Sold to Sales' (COGS)

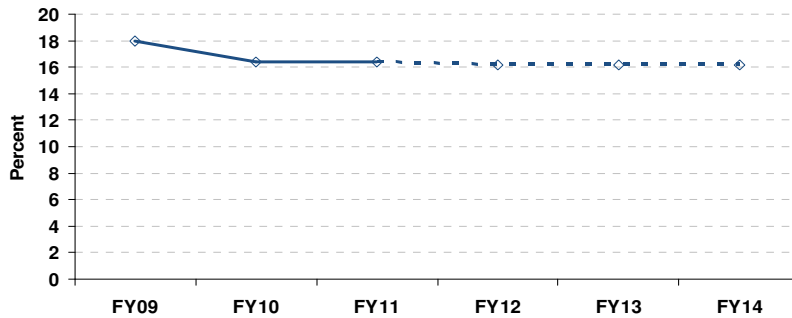
Relevant Budget Program

Warehouse Operations
FY12 Approved: \$7.8M 65.3 WYs

Program Description: This program involves management of the County's beverage alcohol warehouse and includes the purchase, receipt, and storage of over 20,000 different stock and special order items.



Headline Measure #3:
Inventory as a percent of 'Cost of Goods Sold to Sales' (COGS)



Measure	FY09	FY10	FY11	FY12	FY13	FY14
Inventory as a % of COGS	18.0	16.4	16.4	16.2	16.2	16.2
Inventory / COGS						
Inventory	\$28,155,649	\$26,627,325	\$28,255,221			
COGS	\$156,456,172	\$162,368,304	\$172,231,781			



Headline Measure #3:
Inventory as a percent of 'Cost of Goods Sold to Sales' (COGS)

- **Departmental Explanation for FY11 Performance:**
 - Wholesale customer satisfaction constructive. This is encouraging given the economic environment impacting our customers.
 - The department continues to maintain steady output levels and manage inventory while concurrently introducing new products.
- **Departmental Explanation for FY12-FY14 Projections:**
 - Although this measure does not show a change in future years, sales are projected to increase 4.5 percent.



Headline Measures #4: Inventory as a percent of DLC sales

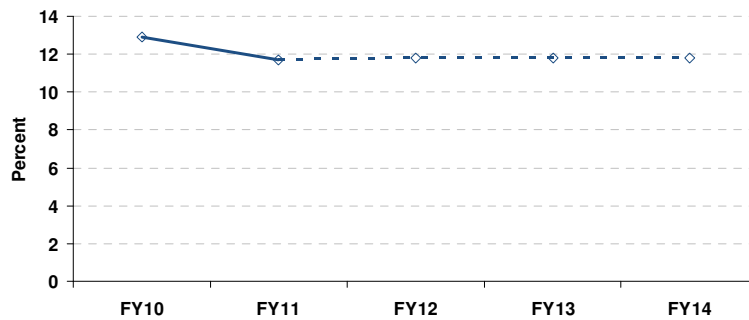
Relevant Budget Program

Warehouse Operations
FY12 Approved: \$7.8M 65.3 WYs

Program Description: This program involves management of the County's beverage alcohol warehouse and includes the purchase, receipt, and storage of over 20,000 different stock and special order items.



Headline Measure #4: Inventory as a percent of DLC sales



Measure	FY09	FY10	FY11	FY12	FY13	FY14
Inventory as a % of sales	12.9	11.7	11.6	11.8	11.8	11.8
Inventory	\$28,155,649	\$26,627,325	\$28,255,221			
Sales	\$218,750,580	\$227,335,338	\$242,414,792			



Headline Measure #4: Inventory as a percent of DLC sales

- **Departmental Explanation for FY11 Performance:**
 - Wholesale customer satisfaction constructive. This is encouraging given the economic environment impacting our customers.
 - The department continues to maintain steady output levels and manage inventory while concurrently introducing new products.
- **Departmental Explanation for FY12-FY14 Projections:**
 - Although this measure does not show a change in future years, sales are projected to increase 4.5 percent.



Headline Measures #5: Percent of wholesale customers satisfied with DLC

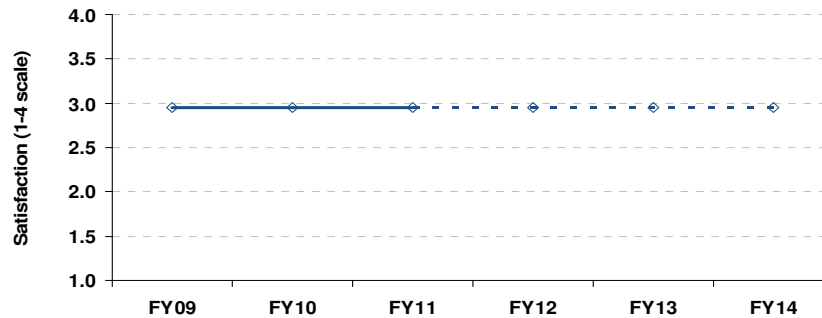
Relevant Budget Program

Warehouse Operations
FY12 Approved: \$7.8M 65.3 WYs

Program Description: This program involves management of the County's beverage alcohol warehouse and includes the purchase, receipt, and storage of over 20,000 different stock and special order items.



Headline Measure #5:
Percent of wholesale customers satisfied with DLC



Measure	FY09	FY10	FY11 Est	FY12	FY13	FY14
Satisfaction (1-4 scale)	2.95	2.95	2.95	2.95	2.95	2.95
# of Survey's Given	940	935				
# of Survey Responses	204	191				



Headline Measure #5:
Percent of wholesale customers satisfied with DLC

▪ **Departmental Explanation for FY11 Performance:**

- The department continues to maintain steady output levels and manage inventory while concurrently introducing new products.
- Wholesale customer satisfaction remains steady, despite impact of current economic environment.

• **Departmental Explanation for FY12-FY14 Projections:**

- Although the future projections are unchanged from current year, the department hopes to increase customer service by increasing the availability of new products as a result of better coordination between the Department and the wholesale customer.



Headline Measures #6: Percent of retail customers satisfied with DLC

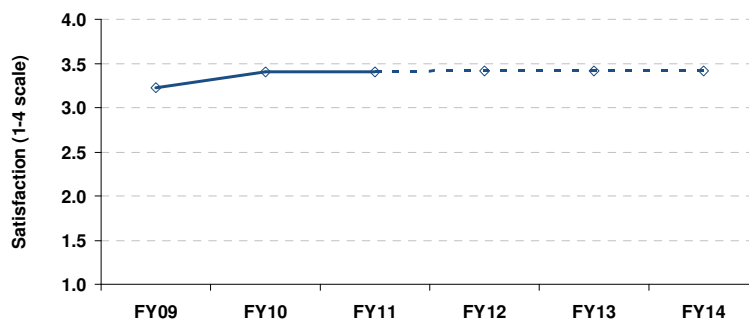
Relevant Budget Program

Retail Sales Operations
FY12 Approved: \$18M 144 WYs

Program Description: This program oversees sales of distilled spirits, wine, and beer to retail customers through the operation of retail stores (currently 23 County-staffed and operated and one contractor-operated) that are located throughout Montgomery County.



Headline Measure #6: Percent of retail customers satisfied with DLC



Measure	FY09	FY10	FY11	FY12	FY13	FY14
Satisfaction (1-4 scale)	3.22	3.41	3.41	3.42	3.42	3.42
# of Survey Responses	1,009	1,550	1,013			



Headline Measure #6: Percent of retail customers satisfied with DLC

- **Departmental Explanation for FY11 Performance:**
 - Overall departmental performance remains steady, despite impact of current economic environment.
 - Retail operation carries a higher margin of profitability and therefore increasing retail sales is positive.
- **Departmental Explanation for FY12-FY14 Projections:**
 - Although the future projections are unchanged, they reflect a higher level of sales activity and product offerings which require a higher level of customer service.



Headline Measures #7: Rating of licensees satisfied with Licensing Application Process

Relevant Budget Program

Licensure, Regulation, and Education
FY12 Approved: \$1.2M 13.0 WYs

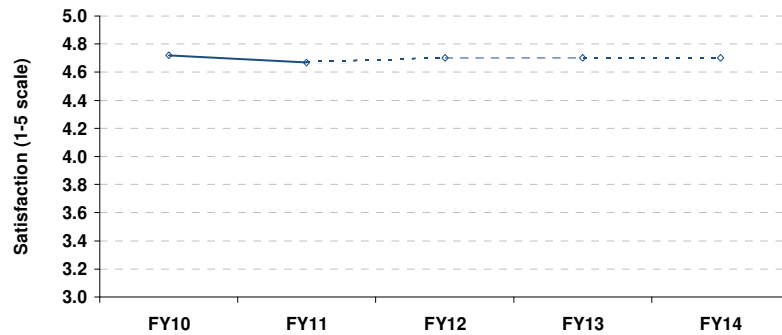
Program Description: This program includes issuing of beverage alcohol licenses inspecting and investigating licensed facilities to ensure compliance with all applicable laws, rules, and regulations and serving as support staff and providing expert testimony at hearings for issuance, fining, suspension, or revocation of licenses. This program also encompasses community partnership by defining issues and strategies and monitoring efforts in the community.



Headline Measure #7

Rating of licensees satisfied with Licensing Application Process Average Score on a 1-5 Scale

(5 -Strongly Agree 4 -Agree 3 -Disagree 2 -Strongly Disagree 1-N/A)



Measure	FY10	FY11	FY12	FY13	FY14
Percent	4.72	4.67	4.7	4.7	4.7
# Given Survey	129	133			
# of Survey Responses	14	34			



Liquor License Application Survey

Rating of licensees satisfied with the application process

Survey Questions (1-5 scale) (5 -Strongly Agree 4 -Agree 3 -Disagree 2 -Strongly Disagree 1-N/A)	Average Score Fiscal Year 2011	Average Score Fiscal Year 2010
Staff was courteous	4.88	4.6
Staff was helpful	4.91	4.8
Staff was knowledgeable	4.94	5.0
The application forms were easy to fill out	4.57	4.6
I would apply on-line if that option were available to me	4.08	4.6
Overall Score – Application Process Survey	4.67	4.72



Headline Measure #7: Rating of licensees satisfied with Licensing Application Process

- **Departmental Explanation for FY11 Performance:**
 - Work output remains steady and the Division pursues other initiatives concurrently.
- **Departmental Explanation for FY12-FY14 Projections:**
 - The current survey results are excellent and the Division intends to focus on maintaining the level of satisfaction.



Headline Measures #8: Rating of licensees satisfied with ALERT Training

Relevant Budget Program

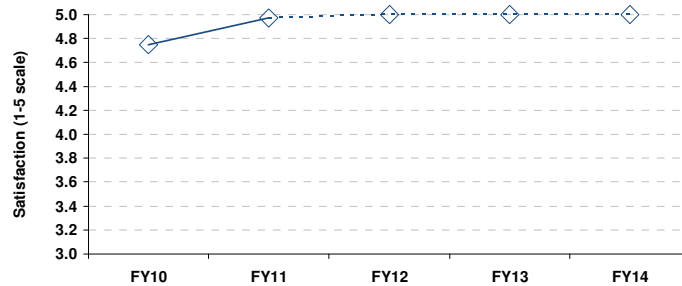
Licensure, Regulation, and Education
FY12 Approved: \$1.2M 13.0 WYs

Program Description: This program includes issuing of beverage alcohol licenses inspecting and investigating licensed facilities to ensure compliance with all applicable laws, rules, and regulations and serving as support staff and providing expert testimony at hearings for issuance, fining, suspension, or revocation of licenses. This program also encompasses community partnership by defining issues and strategies and monitoring efforts in the community.



Headline Measure #8 Rating of licensees satisfied with ALERT Training Average Score on a 1-5 Scale

(5 -Strongly Agree 4 -Agree 3 -Disagree 2 -Strongly Disagree 1-N/A)



Measure	FY10	FY11	FY12	FY13	FY14
Percent	4.75	4.97	5.0	5.0	5.0
# Given Survey	129	133			
# of Survey Responses	14	34			



Liquor License Application Survey

ALERT Training	FY11 Yes	FY10 Yes
I am aware of the free Alcohol Law Education and Regulatory Training (ALERT) offered by Liquor Control	4.97	100%
I have taken ALERT Training	4.85	80%

Survey Questions (1-5 Scale) (5 -Strongly Agree 4 -Agree 3 -Disagree 2 -Strongly Disagree 1-N/A) If taken ALERT Training	Average Score Fiscal Year 2011	Average Score Fiscal Year 2010
The ALERT Training effectively prepared me for the hearing process	5.0	4.75
The ALERT Training adequately prepared me to develop in-house responsible alcohol policies	4.96	4.75
I am satisfied with the level of detail provided through ALERT Training	4.96	4.75
Overall Score – ALERT Training	4.97	4.75



Headline Measure #8: Rating of licensees satisfied with ALERT Training

- **Departmental Explanation for FY11 Performance:**
 - Work output remains steady and the Division pursues other initiatives concurrently.
- **Departmental Explanation for FY12-FY14 Projections:**
 - The current survey results are excellent and the Division intends to focus on maintaining the level of satisfaction.



Headline Measures #9: Percent of licensees that fail compliance checks

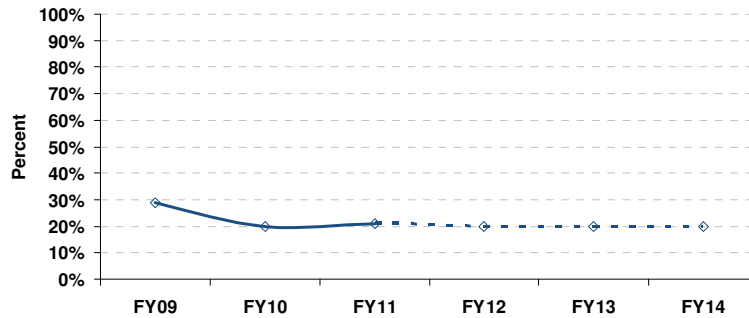
Relevant Budget Program

Licensure, Regulation, and Education
FY12 Approved: \$1.2M 13.0 WYs

Program Description: This program includes issuing of beverage alcohol licenses inspecting and investigating licensed facilities to ensure compliance with all applicable laws, rules, and regulations and serving as support staff and providing expert testimony at hearings for issuance, fining, suspension, or revocation of licenses. This program also encompasses community partnership by defining issues and strategies and monitoring efforts in the community.



Headline Measure #9:
Percent of licensees that fail compliance checks
 (Number of establishments that fail/Number of total compliance checks)



Measure	FY09	FY10	FY11	FY12 Target	FY13 Target	FY14 Target
Percent	29%	20%	21%	20%	20%	20%



Headline Measure #9:
Percent of licensees that fail compliance checks

- **Departmental Explanation for FY11 Performance:**
 - Work output remains steady and the Division pursues other initiatives concurrently.
- **Departmental Explanation for FY12-FY14 Projections:**
 - The current results are excellent and the Division intends to focus on maintaining the level of satisfaction.



Headline Measures #10:
Number of annual alcohol compliance checks for sales to minors (under 21)

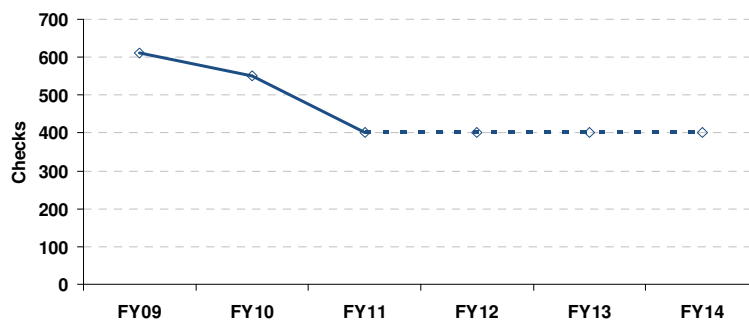
Relevant Budget Program

Licensure, Regulation, and Education
FY12 Approved: \$1.2M 13.0 WYs

Program Description: This program includes issuing of beverage alcohol licenses inspecting and investigating licensed facilities to ensure compliance with all applicable laws, rules, and regulations and serving as support staff and providing expert testimony at hearings for issuance, fining, suspension, or revocation of licenses. This program also encompasses community partnership by defining issues and strategies and monitoring efforts in the community.



Headline Measure #10:
Number of annual alcohol compliance checks for sales to minors (under 21)



Measure	FY09	FY10	FY11	FY12 Target	FY13 Target	FY14 Target
Number of checks	612	550	400	400	400	400



Current DLC View of Linkage Between Headline Measure and Budget Programs

Headline Measures

Annual growth
in DLC retail and
wholesale sales

Gross profit
margin of DLC

Inventory as a
percent of
COGS

Inventory as a
percent of DLC
sales

Percent of
wholesale
customers
satisfied

Relevant Budget Program

Office of the Director

Warehouse Operations

Headline Measures

Percent of retail customers satisfied

Relevant Budget Program

Retail Sales Operations



DLC Performance Review

45

10/25/2011



Current DLC View of Linkage Between Headline Measure and Budget Programs

Headline Measures

Number of Annual alcohol
compliance checks

Licensees that fail
compliance checks

Licensees satisfied with
the application process

Licensees
satisfied with
ALERT Training

Relevant Budget Program

Licensure, Regulation, and Education

No Applicable Headline Measures

Accounting and Financial Systems

Retail Contracted Operations

Information Management



DLC Performance Review

46

10/25/2011



Wrap-up

- Follow-up items

